



# Principal Distribution Certificates

## INSIDE THIS GUIDE:

This guide describes principal distribution certificates, where members receive periodic income in the form of checks or transfers during the term of the certificate, in addition to dividends.

**Last Revision date:** May 16, 2025

Find other Reference Materials page on our website: <https://www.cuanswers.com/resources/doc/cubase-reference/>

Start your online help journey here:  
<https://help.cubase.org/cubase/Welcome.htm>

*CU\*BASE® is a registered trademark of CU\*Answers, Inc.*

# Table of Contents

- Certificate Processing ..... 3
  - Note on Online Banking ..... 3
- Configuration Considerations ..... 4
  - Certificate Type Default Renewal Code ..... 4
- Opening A Certificate..... 5
  - Certificate Types Requiring Principal Distributions ..... 5
  - Note on Changing the Pay To Address for Check Disbursement ..... 6
  - Certificates Not Requiring Principal Distributions ..... 7
- Transaction History, Inquiry, and Update Screens..... 8
- Reports ..... 9
  - Certificate Product Configuration Report ..... 9
  - Certificate Principal Distribution Report..... 10
  - Certificate Processing Exceptions ..... 10

## Introduction

Principal distribution certificates offer credit unions a way to market savings products to members with higher balances. Members looking to incrementally receive funds from their accounts will appreciate this service.

Credit unions can configure Certificate Types to offer the principal distribution feature (by making it required or optional within the Certificate Type’s configuration). Then, when a certificate of this type is opened, the MSR simply enters the principal distribution amount and selects whether the member wants to receive funds in the form of a check or as a transfer to a different sub account.

Principal distribution funds are disbursed separately from dividend payments, so members have the option of disbursing these funds using different methods. For example, the member could transfer their dividend payments to their checking account and receive their principal distribution disbursement in the form of a check to send to their broker.



# Certificate Processing

---

Principal distribution processing occurs during dividend processing, with the posting of principal distributions (Tran Code 43, Tran Type 38) directly following the payment of dividends (Tran Code 43, Tran Type 39).

When a certificate is opened, its default *Principal distribution method* will default to the *Default renewal code* of the Certificate Type. The two options for the *Principal distribution method* are Check or Transfer – this indicates how the funds will be disbursed to the member. If the *Principal distribution method* of Transfer to is selected, a transfer account must be entered. (This account is indicated by the *Trnsfr/rdmpt/princ dist acct* field in the Account Information Update screen within **Tool #20 Update Account Information**.)

- Dividend disbursements on the other hand are processed according to the separate *Dividend disburse code* configuration. (Options include addback, transfer, check, or on demand.)

If dividends and principal distributions are both disbursed by check, they are mailed as separate checks. Both checks are mailed to the default address of the membership: the primary owner's address. The pay to *Address* can be changed when opening the certificate or after selecting **Div Check Pay to** in the Account Information Update screen within **Tool #20**; however, both dividend and principal distribution checks are sent to the same address. (If a dividend check is set to be mailed to an alternate address, a principal distribution check will automatically also be sent there as well.) When **Tool #632 Print Auto/Mail Checks** is used to select which checks to print, the **Certificate dividend checks** checkbox also controls the selection of the principal distribution checks.

Upon maturity, any funds remaining in a principal distribution certificate that have not been disbursed will be paid in a final lump sum disbursement, via check or transfer (according to the renewal code of the certificate). This check is also sent to the primary address on the membership (or other pay to address if indicated by the certificate).

There are some instances where principal distributions will not be disbursed. If at any time there is not enough money in the certificate to make the principal distribution disbursement, the funds will remain in the certificate and an exception will be printed to the exception report. Additionally, if the certificate's funds are frozen for withdrawals (freeze codes 1 and 3), principal distributions will not be posted but will also appear on the exception report. Refer to page 10 for an example of the exception report.

It is not recommended that a certificate with a principal distribution be used to secure a loan or any other account. However, if it is, principal distributions will continue as usual as long as the distribution is over and above the secured amount. In rare cases where dispersing the principal distribution would take the secured funds negative, the principal distribution will not be dispersed and will appear in the exception report.

## Note on Online Banking

Certificate products with principal distributions are not supported at this time via **It's Me 247**. There is no way to disclose special details pertinent to this sort of account online, and there is no place for the member to indicate a principal disbursement amount. It is not recommended that credits unions offer these products on online rate boards or that they allow members to open this type of certificate online.

# Configuration Considerations

Whether a certificate allows for the principal distribution feature is dependent on its Certificate Type configuration.

The *Allow principal distributions* selection on the Certificate Type configuration screen in **Tool #194 Certificate Products Configuration** determines whether principal distributions are required, allowed, or blocked.

Allow principal distributions ☒ Allowed ☐ Required ☐ Blocked

- **Allowed (A)** – When the certificate is opened, the MSR has the option of setting up a principal distribution or not. The feature is allowed but is not required. This might be used if the credit union wants to use an existing Certificate Type for its members wanting this service. (In this case, it is recommended that the *Default renewal code* be “Transfer to” or “Check” for this type to function correctly when opening a certificate with a principal distribution.)
- **Required (R)** – All certificates created with this type will require the entry of a principal distribution amount. Credit unions may choose to create specific Certificate Types configured in this manner for use only with their principal distribution offering.
- **Blocked (N)** – This is the default for all Certificate Types. Principal distributions are not allowed for certificates created with this type.

## Certificate Type Default Renewal Code

At certificate open, the *Default renewal code* of the Certificate Type is used as the default for the *Principal distribution method*. The default renewal code of the type is also used to determine how to handle the payment of funds remaining in the account at the end of its term. Therefore, types designed for use with principal distributions should have a renewal code of either “Transfer to” or “Check”. Additionally, when the Certificate Type configuration allows or requires principal distributions, the *Allow member to change renewal code on existing account via online banking* checkbox may not be checked.

## Certificate of Deposit Maintenance (Tool #194)

Certificate of Deposit Maintenance

Suspend
Delete
Checklist

Certificate type **09**

Allow principal distributions
☒ Allowed
☐ Required
☐ Blocked

☐ Allow CD secured loan via online/mobile banking

Corp ID **01**

Application **CD**
Description **48 MONTH CERTIFICATE**

Certificate Length

Days 
- Or -
Months **48**

Certificate Penalty

Penalty code 
Days 
Penalty grace **10**

General Ledger

Certificate **908.02**
Accrued dividend **830.20**

Premium penalty **131.00**
Dividend expense **340.50**

Options

IRA/HSA
☐ IRA
☐ HSA
☒ N/A

☐ Add funds to CDs
☒ Report dividends to IRS

Laser certificate form **CD02**

Renewal

Default renewal code
☐ Manual
☐ Auto Renew
☒ Transfer to
☐ Check

Default renewal CD type  (blank = same CD type)

☐ Allow member to change renewal code on existing account via online banking

☐ Allow member to bump the current rate **00** times during the CD term

Dividend Rate(s)

Minimum	500.00	Maximum	99,999.99	Rate	1.880
Minimum	100,000.00	Maximum	149,999.99	Rate	1.930
Minimum	150,000.00	Maximum	249,999.99	Rate	1.980
Minimum	250,000.00	Maximum	999,999.99	Rate	2.030

## Opening A Certificate

### Certificate Types Requiring Principal Distributions

If the Certificate Type requires principal distributions, the corresponding fields will appear automatically in the Should the Member Receive a Principal Distribution section. The *Principal disbursement method* is flooded with the default renewal code of the Certificate Type. In the example above, this was Transfer to; however, this could be changed to Check at this time. If Transfer is selected, the transfer account must be entered. In all cases, the *Principal amount to be distributed to the member each dividend payment period* must be entered. This is not system generated; the credit union enters an amount based on its own policy.

## Create/Open New Certificate (Tool #3 Open/Maintain Memberships/Accounts)

Post

Skip

Procedures

Dividend Pay To

Account #

-

301

CD type

09

48 MONTH CERTIFICATE

CD amount

500.00

Issue date

Jan 15, 2025

Maturity date

Jan 15, 2029

Secondary names

Account nickname

How Should the Dividends be Paid?

Dividend disburse code

Addback

Dividend payment/transaction frequency

Monthly

Dividend rate

1.880

%

Dividend variable rate code

Should the Member Receive a Principal Distribution?

Yes, the member should receive a principal distribution (required)

Principal amount to be distributed to the member each dividend payment period

0.00

Principal distribution account

Principal distribution method

Transfer

-

000

### Note on Changing the Pay To Address for Check Disbursement

If “Check” is selected as the *Principal disbursement method*, the check will be sent to the address of the Primary member on the membership – unless the pay to address has already been changed, for example, to send a dividend check to an alternate address. (Both dividend and principal distribution checks are mailed to the same address.) To change the pay to address, use **Dividend Pay To** from the screen shown above and change to the desired address. This address change can also be made on the Account Update screen (**Tool #20**).

- By changing this address, the member could select to send their principal distribution payments to a broker or other person.

# Certificates Not Requiring Principal Distributions

## Principal Distributions Allowed - Create/Open New Certificate (Tool #3)

Post

Skip

Procedures

Dividend Pay To

Account #

-

301

CD type

09

48 MONTH CERTIFICATE

CD amount

500.00

Issue date

Jan 15, 2025

Maturity date

Jan 15, 2029

☐ Secondary names

☐ Account nickname

How Should the Dividends be Paid?

Dividend disburse code

Addback

Dividend payment/transaction frequency

Monthly

Dividend rate

1.880

%

Dividend variable rate code

Should the Member Receive a Principal Distribution?

☐ Yes, the member should receive a principal distribution (required)

Principal amount to be distributed to the member each dividend payment period

0.00

Principal distribution account

Principal distribution method

Transfer

-

000

How Should the Certificate be Handled at Maturity?

Renewal code

Transfer

Check will be made payable to member

-

000

Renewal CD type

09

Renewal incentive

0.000

%

Renew only this amount

0.00

and put the rest in

-

000

If the certificate allows principal distributions, the MSR just needs to fill in the principal distribution fields.

## Principal Distributions Not Allowed - Create/Open New Certificate (Tool #3)

Post

Skip

Procedures

Dividend Pay To

Account #

-

301

CD type

08

36 MONTH CERTIFICATE

CD amount

500.00

Issue date

Jan 15, 2025

Maturity date

Jan 15, 2028

☐ Secondary names

☐ Account nickname

How Should the Dividends be Paid?

Dividend disburse code

Addback

Dividend payment/transaction frequency

Monthly

Dividend rate

1.830

%

Dividend variable rate code

How Should the Certificate be Handled at Maturity?

Renewal code

Auto Renew

Renewal CD type

08

Renewal incentive

0.000

%

Renew only this amount

0.00

and put the rest in

-

000

If the Certificate Type does not allow for principal distributions, the principal distribution fields will not appear on the screen.

# Transaction History, Inquiry, and Update Screens

The Transaction History screen lists the distributions as a separate line item, separate from the dividend amount. Both are posted at the same time.

## Transaction History (Inquiry)

Credit Card Inquiry

New Account

New Type

Renewal History

Secured Funds

OTB/Cards

IRA/HSA

Account #301 CERTIFICATE

Current balance100,000.00

NameAvailable0.00

Search by: DateSep 03, 2024Transaction amount0.00DescID

Debits Only

Credits Only

All

Toggle Description

Checks Only

Teller/Cash Activity

Business Date	Activity Date	Activity Time	Amount	Balance	Description	Transfer Acct	ID
Nov 03, 2024	Nov 03, 2024	00:49:29	389.60	100,389.60	DIVIDEND EARNED		99
Nov 03, 2024	Nov 03, 2024	00:49:29	21.17	100,410.77	CLUB BENEFIT EARNED		99
Nov 03, 2024	Nov 03, 2024	00:49:29	410.77-	100,000.00	DIVIDEND TRANSFER		99
Nov 03, 2024	Nov 03, 2024	00:49:29	10.00	100,000.00	PRINCIP DISTRIB		99

Both the Inquiry and Update views show the principal distribution information.

## Inquiry

New Account

New Account Type

Renewal History

Secured Info

OTB/Cards

Overdraft Protection

Account #G/L account908.02-27Date openedSep 03, 2024

Secondary Names

This is the Account Detail screen used to display detailed info about a certificate account, including IRA and HSA certificates.

Current balance100,000.00

- Secured0.00

- Penalty0.00

+ Accrual dividend351.904

= Redemption100,351.90

Account type301 CERTIFICATE

CD type2719 MONTH BUMP CD

IRA plan type

Principal Distributions are allowedRate bumped0 of 0 times

MSRP3

Frozen0NON

AFTNN

IRA

Payroll

Transaction inquiry dateSep 03, 2024

Current rate	4.600%	Variable rate code	
Daily accrual	12.60	Original purchase	Sep 03, 2024
Original purchase	100,000.00	Last renew/roll	Sep 03, 2024
Last rollover balance	0.00	Present term	01
Partial renewal amount	0.00	Current maturity	Apr 03, 2026
Principal distribution amount	10.00	Renewal incentive	0.000% Type 06
Renewal code2Transfer		Dividend disburse code	0TRANSFER DIV. TO ACC
Trnsfr/redempt/princ distrib account		Dividend transfer account	
Term dividend earned	1,160.20	Dividend frequency	MONTHLY
Term dividend withdrawn	808.30	Calc method	DIVIDEND COMPUTED ON BALANCE
Available dividend	0.00	Penalty code	Days0
		Current YTD dividend	808.30
		Accrued club benefit	19.12
		YTD club benefits	41.66



## Account Information Update (Tool #20)

Div Check Pay to

Custom Fields

Account opened by MSR =F

SSN/TIN

Application CD

Type 09

Plan

G/L acct 908.02

# secondary names 0

Original purchase date Jan 15, 2025

Last renew/roll Jan 15, 2025

Current term mature Jan 15, 2029

Dividend paid date 00000000

Dividend transfer date 00000000

Dividend accrual date Jan 15, 2025

Div disburse code Addback

Div transfer frequency M

Dividend transfer 000000000 000

Allow principal distribution Allowed

Renewal code Check

Trnsfr/rdmt/princ dist acct 000

Principal dist amt 0.00

Statement indicator 0

CD branch # 01

Renewal CD type 09

CD penalty code

CD penalty days 000

Term dividend paid 0.00

Term dividend W/D 0.00

Total deposit 0.00

Part renew amount 0.00

Dividend accrued 0.000

Dividend paid: Q1 0.00

Q2 0.00

Q3 0.00

Q4 0.00

Last roll balance 0.00

Original purchase amt 500.00

Annual backup withheld 0.00

Penalty amount 0.00

Accrued club benefits 0.00

YTD club benefits 0.00

Dividend calc type C

Dividend payment freq M

Dividend payment type I

Current dividend rate 1.880

Rate after maturity 0.00

Variable rate group

Renewal incentive 0.000

Rate bumped 00 of 00 times

Set Div Checks Pay To/Address

Changes to the principal distribution fields in Account Information Update require Tier 2 Security.

As mentioned earlier, principal distribution checks are mailed to the same address as dividend checks. This pay to address is by default the primary address on the account. By clicking **Set Div Checks Pay To/Address**, a credit union employee can change the pay to address for principal distribution checks.

- NOTE: This address is also used for the distribution of dividend payment checks.

## Reports

There is one report you can generate on-demand in CBX: the Certificate Product Configuration Report. Two CU\*SPY Daily Reports assist credit unions who have certificates allowing principal distributions: Certificate Principal Distribution Report and Certificate Processing Exceptions Report. These reports are generated with the dividend posting reports at Beginning of Day.

### Certificate Product Configuration Report

The Certificate Product Configuration Report lists whether a Certificate Type allows principal distributions.

## Print CD Configuration Report (Tool #635)

### - Certificate Product Configuration Report

#### Report Options

Corp ID ☐ Optional

CD application ☐ Optional

Copies  ☒ Job queue

Printer  

← → ↑ ⏸ 🔗 ⓘ ⚙️ @

 Let Us Know!

FR (575)

2/12/25 13:40:34	ABC CREDIT UNION	LCDCFG	Page
RUN ON 2/12/25	CERTIFICATE PRODUCT CONFIGURATION REPORT	User	
AS OF 2/12/25			
Corporate ID - ALL CORPORATIONS			
CD APPLICATIONS			
APPL	DIV PMT	DIV CALC	FIRST DIV
TYP DESCRIPTION	FREQ	TYPE	PMT
CD CERTIFICATE	M	C	I
CQ CERTIFICATES - TC	Q	C	F
CR IRA MARKET INDEX CERTIFICATE	R	C	I
IR IRA CERTIFICATE	M	C	I
SS SAVE TO WIN	Q	C	I
ST SAVE TO WIN	Q	C	I
CD TYPES			
CD	CD	ALLOW	BUMP
TY	CO	APL	IRA
B3	00	CD	N
B4	00	IR	I
OL	00	CD	N

\* denotes suspended record

2/12/25 13:40:34	ABC CREDIT UNION	LCDCFG	Page
RUN ON 2/12/25	CERTIFICATE PRODUCT CONFIGURATION REPORT	User	
AS OF 2/12/25			
Corporate ID - ALL CORPORATIONS			
CD TYPE DESCRIPTION	RATE	MINIMUM	MAXIMUM
72 6 MONTH IRA CERT	1.340	500.00	99999.99
	1.390	100000.00	149999.99
	1.440	150000.00	249999.99
	1.490	250000.00	999999.99
73 9 MONTH IRA CERT	1.490	500.00	99999.99
	1.540	100000.00	149999.99
	1.590	150000.00	249999.99
	1.640	250000.00	999999.99
74 12 MONTH IRA CERT	1.590	500.00	99999.99
	1.640	100000.00	149999.99
	1.690	150000.00	249999.99

## Certificate Principal Distribution Report

The Certificate Principal Distribution Report (TBCDTB6) lists the principal distribution information.

1/28/25 45.38	CREDIT UNION	TBCDTB6	PAGE 1
RUN ON 1/28/25	CERTIFICATE PRINCIPAL DISTRIBUTION REPORT	USER OPERATOR	
** PRIN DIST **			
ACCOUNT	CD TYPE	CD BALANCE	PRIN DIST AMT
TOTAL PRIN TRANSFERRED			.00 / 0 ACCOUNTS
TOTAL PRIN PD BY CHECK			.00 / 0 ACCOUNTS
GRAND TOTAL			.00 / 0 ACCOUNTS
***END OF REPORT***			

## Certificate Processing Exceptions

The Certificate Processing Exceptions Report (TBDTB3) lists, among other exceptions, instances when there were not enough available funds to process the principal distribution payment. This may occur due

to insufficient funds, funds being frozen, or because funds are being used as secured funds. Refer to page 3.

12/17/23	21.47			CREDIT UNION	TBCDTB3	PAGE	1
RUN ON	12/17/23			CERTIFICATE PROCESSING EXCEPTIONS		USER	OPERATOR
				C/D	CURRENT		
ACCOUNT NO.	TRANS ID	TR DATE	AMOUNT		BALANCE DESCRIPTION	TRACER #	
60-303	CD-	3 12/17/23	500.00	** ACCT NOT FROZEN **	501.18 NO TRANSFER MADE	60-000	
60-000	SH-	3 12/17/23		**ACCT FROZEN FROM WITHDRAWALS/DEPOSITS**	1.00-NO TRANSFER MADE	60-303	
				***END OF REPORT***			